

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 19, 2004

IN RE:

**STAFF INVESTIGATION OF BETTERWORLD
TELECOM, LLC FOR VIOLATION OF TENN.
CODE ANN. §§ 65-4-125(j) & 201 AND
TENN. COMP. R. & REGS. 1220-4-2-.57(2)**

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**DOCKET NO.
03-00566**

ORDER APPROVING SETTLEMENT AGREEMENT

This matter came before Chairman Deborah Taylor Tate, Director Pat Miller, and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on January 26, 2004 for consideration of a proposed Settlement Agreement, attached hereto as Exhibit A, between the Consumer Services Division of the TRA (the "CSD") and BetterWorld Telecom, LLC ("BetterWorld" or the "Company") related to violations of Tenn Code Ann. §§ 65-4-125(j) and 201 and Tenn. Comp R & Regs 1220-4-2- 57(2)

Tenn. Code Ann § 65-4-201 and Tenn. Comp. R & Regs. 1220-4-2-.57(2) prohibit the offering of telecommunications services in the state of Tennessee without the requisite certificate of public convenience and necessity ("CCN"). Tenn. Code Ann. § 65-4-125(j) prohibits telecommunications service providers from operating in the state of Tennessee without first obtaining a surety bond or letter of credit, subject to certain exceptions Tenn. Code Ann. § 65-4-120 permits the TRA to impose a penalty or fine in the amount of \$50 per day upon any public utility in violation of these or any other any rule or requirement of the TRA

In July 2003, the CSD discovered that BetterWorld had been operating in Tennessee without a CCN and without having filed with the TRA either a surety bond or letter of credit. Upon learning of its failure to comply with these requirements, BetterWorld undertook the necessary steps to bring the Company into compliance with all applicable laws and regulations. As part of this process, its application for a CCN was considered and approved by the Directors in TRA Docket No. 03-00542 at the January 26, 2004 Authority Conference. BetterWorld also agreed to pay a penalty to the TRA in the amount of \$5,000 in remediation of its past statutory and regulatory violations. The CSD represented that this penalty advances a fair and reasonable resolution of the staff investigation.

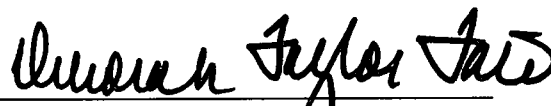
The January 26, 2004 Authority Conference

At the January 26, 2004 Authority Conference, the Directors voted unanimously to approve the Settlement Agreement.

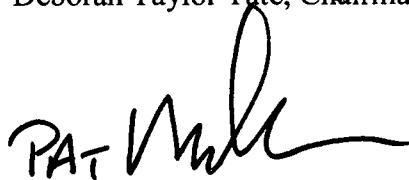
IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement, attached hereto as Exhibit A, is accepted and approved and is incorporated into this Order as if fully rewritten herein.
2. BetterWorld shall pay to the TRA the sum of \$5,000, less the \$1,000 deposit against penalties paid by BetterWorld on December 4, 2003, in remediation of all violations included in this Settlement Agreement. BetterWorld shall remit the Settlement Payment to the Office of the Chairman of the TRA in monthly installments of seven hundred fifty dollars (\$750.00) beginning no later than thirty days after TRA approval of this Settlement Agreement.
3. Upon payment of the amount of \$5,000, BetterWorld is excused from further proceedings in this matter, provided that, in the event of any failure on the part of BetterWorld to

comply with the terms and conditions of the Settlement Agreement, the TRA reserves the right to re-open this Docket.

A handwritten signature in black ink, appearing to read "Deborah Taylor Tate", written over a horizontal line.

Deborah Taylor Tate, Chairman

A handwritten signature in black ink, appearing to read "PAT Miller", written over a horizontal line.

Pat Miller, Director

A handwritten signature in black ink, appearing to read "Sara Kyle", written over a horizontal line.

Sara Kyle, Director

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

RECEIVED
CONSUMER SERVICES DIVISION
JAN 07 2004
TN REGULATORY AUTHORITY

IN RE:

**STAFF INVESTIGATION OF BETTERWORLD TELECOM,
LLC FOR VIOLATION OF TENN. CODE ANN. §§ 65-4-125(j) &
201 AND TENN. COMP. R. & REGS. 1220-4-2-.57(2)**

**DOCKET NO.
03-00566**

SETTLEMENT AGREEMENT

This Settlement Agreement, which has been voluntarily entered into between the Consumer Services Division ("CSD") of the Tennessee Regulatory Authority ("TRA" or "Authority") and BetterWorld Telecom, LLC ("BetterWorld" or the "Company"), resolves all issues and causes of action by the TRA presented by BetterWorld's noncompliance with Tenn. Code Ann § 65-4-125(j) (failure to provide a surety bond), Tenn Code Ann § 65-4-201, and Tenn Comp. R. & Regs 1220-4-2-.57(2) (operating without a certificate of public convenience and necessity) through the date of the execution of this Settlement Agreement. This Settlement Agreement is subject to the approval of the Directors of the TRA

In July 2003, the CSD received three consumer complaints alleging certain statutory violations by BetterWorld. Upon investigation of these complaints, which were ultimately resolved in the Company's favor, the CSD discovered that BetterWorld has been operating in Tennessee without a certificate of public convenience and necessity ("CCN") as required by Tenn Code Ann. § 65-4-201(b) and TRA Rule 1220-4-2-.57(2) and without having filed with the TRA either a surety bond or letter of credit in the amount of twenty thousand dollars (\$20,000) as required by Tenn Code Ann. § 65-4-125(j).

EXHIBIT

A

On August 14, 2003, Eddie Roberson, Chief of the TRA's Consumer Services Division, sent a letter to a representative of BetterWorld, Mr. Chuck Riddle, inquiring about the Company's CCN. In a meeting at the TRA with Mr. Roberson on September 30, 2003, Mr. Riddle indicated that BetterWorld had been providing services in Tennessee since February 10, 2003, but ceased marketing these services on April 18, 2003 due to difficulties with the Company's telemarketer. As of this meeting, BetterWorld had been operating in the State of Tennessee reselling long distance service without the requisite CCN for a total of 233 days, serving approximately 231 Tennessee customers.

Although considered by the Company to be only a small reseller of telecommunications services, BetterWorld is currently operating in forty states, including Tennessee. Before commencing these operations, the Company engaged a Washington, DC law firm to handle all regulatory compliance requirements in all states where services were to be provided. It was, apparently, BetterWorld's belief that upon registering as a foreign corporation and receiving a certificate of authority from the Tennessee Secretary of State pursuant to Tenn. Code Ann. § 48-25-101, the Company had fully complied with all of Tennessee's statutory and regulatory requirements.

Upon learning that the Company had failed to comply with the TRA's CCN requirement, BetterWorld agreed to rectify this statutory violation and filed a petition for a CCN on October 1, 2003. Because the petition did not include the necessary surety bond or letter of credit, the petition was deemed incomplete and could not be considered for approval. BetterWorld was immediately informed of this deficiency and was instructed to provide a surety bond or letter of credit as quickly as possible since the Company continued to provide telecommunications services in Tennessee without the authority to do so. After much difficulty and several

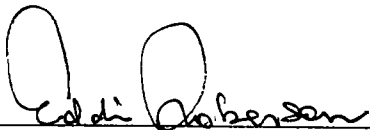
extensions of time from the TRA, BetterWorld finally obtained its surety bond and provided it to the TRA on December 23, 2003, making the Company's petition for CCN complete and eligible for consideration.

By this time, BetterWorld had provided unauthorized telecommunications services in the state of Tennessee for a total of 317 days - 131 days since being informed of its noncompliance with the law. Tenn Code Ann § 65-4-120 permits the TRA to impose a penalty or fine in the amount of \$50 per day upon any public utility in violation of any rule or requirement of the TRA. Following some negotiation with BetterWorld and consideration of the factors provided in Tenn. Code Ann § 65-4-116(b), including the Company's size, financial status, good faith, and the gravity of the violations, the CSD settled on a penalty in the amount of \$5,000.00.

In an effort to resolve all alleged violations noted in this Settlement Agreement, the CSD and BetterWorld agree to settle this matter based upon the following acknowledgements and terms, subject to approval by the Directors of the TRA:

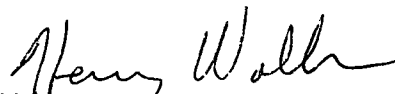
- 1 BetterWorld agrees to pay the TRA the sum of five thousand dollars (\$5,000.00) (the "Settlement Payment"), less the one thousand dollar (\$1,000.00) deposit against penalties paid by BetterWorld on December 4, 2003, in settlement of all violations included in this Settlement Agreement. BetterWorld shall remit the Settlement Payment to the Office of the Chairman of the TRA in monthly installments of seven hundred fifty dollars (\$750.00) beginning no later than thirty days after TRA approval of this Settlement Agreement.
- 2 Upon approval by the Directors of BetterWorld's petition for a CCN in TRA Docket No. 03-00542, BetterWorld agrees, henceforth, to remain in compliance with all the statutory and regulatory requirements of the TRA.
- 3 In the event that BetterWorld merges or consolidates with or transfers its assets to another firm, corporation or entity, BetterWorld or its successor shall remain responsible for fully complying with the terms and conditions of the Settlement Agreement. BetterWorld shall so notify the CSD no later than ten (10) days prior to the completion of such transaction.

- 4 BetterWorld agrees that a company representative will attend the Authority Conference during which the Directors consider this Settlement Agreement. Such attendance may be by telephone.
5. Compliance with all terms and conditions of this Settlement Agreement by BetterWorld shall be deemed a full settlement, release, accord and satisfaction of all liability for the aforementioned violations and BetterWorld shall be excused from further proceedings in this matter.
- 6 In the event that BetterWorld fails to comply with the terms and conditions of this Settlement Agreement, the TRA reserves the right to re-open this docket. BetterWorld shall pay any and all costs incurred by the TRA to enforce the Settlement Agreement.
- 7 This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement which are not fully expressed herein or attached hereto.
- 8 If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Settlement Agreement and this Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.



Eddie Roberson
Chief, Consumer Services Division
Tennessee Regulatory Authority

January 8, 2004
Date



Signature

Henry Walker

Print Name

Attorney for BetterWorld
Print Title

Jan 6, 2004
Date